

## Message Text

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DRAFTED BY EA/J:H A COCHRAN:EH

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E - MR. BLACK

EA/EP - MR. GEBER

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FM SECSTATE WASHDC

TO AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: ETRD, EFIN, JA

SUBJECT:NIHON KEIZAI CHIEF EDITOR CALL ON UNDER SECRETARY  
COOPER

REF: TOKYO 14287

1. YASUO TAKEYAMA, NIHON KEIZAI EDITOR-IN-CHIEF, CALLED ON UNDER SECRETARY COOPER SEPTEMBER 21 FOR A BACKGROUND DISCUSSION OF ECONOMIC ISSUES TO USE IN DIRECTING NIHON KEIZAI'S REPORTING AND EDITORIALIZING OVER THE NEXT FEW MONTHS. HE WAS ACCOMPANIED BY HIDESHI MAKI, PRESIDENT OF THE PACIFIC RESEARCH CENTER IN TOKYO, AND RICHARD WHALEN, A FRIEND AND WASHINGTON POST REPORTER.

2. MR. COOPER REVIEWED FOR TAKEYAMA THE SUBSTANCE AND AT-LIMITED OFFICIAL USE

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MOSPHERE OF THE SUBCABINET TALKS (REFTEL). HE EMPHASIZED THAT A CURRENT ACCOUNT SURPLUS WAS WRONG FOR JAPAN IN THE CURRENT SITUATION. JAPAN IS A MAJOR ECONOMY, ALTHOUGH THIS IS OBSCURED IN JAPAN BY A SENSE OF VULNERABILITY, AND SIMPLY CANNOT PURSUE ECONOMIC POLICIES THAT DO NOT CONSIDER THE EFFECTS ON OTHER COUNTRIES' ECONOMIES. IN PARTICULAR, MR. COOPER SAID THAT THE TALKS FOCUSED ON GLOBAL RATHER THAN

BILATERAL ISSUES. WE DID NOT PUSH FOR EXPORT RESTRAINTS, WHICH ARE AN EASY SOLUTION FOR JAPAN, BUT ARE ONLY NECESSARY

IN CASES OF "TORRENTIAL DOWNPOURS" OF EXPORTS IN CONCENTRATED SECTORS. WE SOUGHT A GOJ COMMITMENT TO INCREASE THE VERY LOW LEVEL OF MANUFACTURES IN ITS TOTAL IMPORTS AND EMPHASIZED THAT A HIGHER VOLUME OF MANUFACTURERS WOULD BE MORE APPROPRIATE.

3. MR. COOPER EMPHASIZED TO TAKEYAMA OUR VIEW THAT THE GOJ CLEARLY GOT OUR MESSAGE. WE BELIEVE THE GOJ IS AWARE OF THE VERY SERIOUS CONCERN OF THE USG ABOUT THE DANGERS OF THE CURRENT SITUATION, INCLUDING BUT GOING BEYOND PROTECTIONISM. WE HAVE THREE OR FOUR MORE YEARS IN WHICH INTENSE COOPERATIVE ACTION IS NECESSARY, OR ELSE 25 YEARS OF TRADE LIBERALIZATION EFFORTS WILL COME UNRAVELED. PROTECTIONISM IS EVERYWHERE JUST BELOW THE SURFACE, AND DESPITE OUR VERY SERIOUS CONCERN ABOUT PROTECTIONIST PRESSURES ON CONGRESS, SOME CONGRESSIONAL FRIENDS TELL US THAT WE EVEN UNDERESTIMATE THE SERIOUSNESS OF THE MOOD OF THE CONGRESS.

4. MR. COOPER NOTED THAT SOME REPORTING FROM TOKYO HAS INDICATED THAT THE GOJ WAS RELIEVED THAT THE USG WAS NOT "TOUGHER" ON SPECIFIC BILATERAL ISSUES. IF TRUE, THIS WOULD BE A SERIOUS ERROR IN PERCEPTION ON THE PART OF THE LIMITED OFFICIAL USE

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GOJ. HOWEVER, ALTHOUGH THESE REPORTS MAY BE TRUE FOR PARTICULAR MINISTRIES, WE DO NOT BELIEVE THEY REPRESENT THE GOJ VIEW. THE PURPOSE OF THE SUBCABINET TALKS WAS NOT TO FOCUS ON NARROW BILATERAL ISSUES OF LONG STANDING, SUCH AS AGRICULTURAL QUOTAS. THE GOJ IS WELL AWARE OF OUR POSITION ON THESE ISSUES, AND WE CONTINUE TO PRESS FOR MOVEMENT IN THESE AREAS. INSTEAD, THE TALKS CONCENTRATED ON THE SPECIFIC GLOBAL ISSUE OF HAVING JAPAN MOVE ITS CURRENT ACCOUNT INTO DEFICIT BY THE END OF JFY 1978, AT THE LATEST. THE PRIME MINISTER HIMSELF SERIOUSLY CONSIDERED OUR PROPOSAL AND AGREES WITH OUR ANALYSIS. THE GOJ AGREED TO ACCEPT A PUBLIC COMMITMENT TO MOVE ITS CURRENT ACCOUNT INTO DEFICIT, BUT COULD NOT ACCEPT A SPECIFIC TIME LIMIT BECAUSE OF A LACK OF SPECIFIC CONTROL INSTRUMENTS OVER THE CURRENT ACCOUNT.

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GOJ TO TAKE FAVORABLE ACTION ON MANY OF THE BILATERAL ISSUES WHICH HAVE BEEN IRRITANTS TO OUR RELATIONSHIP, AND WE WILL BE WATCHING CLOSELY TO SEE WHAT ACTIONS THE GOJ TAKES. WE REALIZE THE DIFFICULTIES THE GOJ FACES. HOWEVER, URGENT ACTION IS NEEDED. WE ARE NOT LOOKING FOR

TEMPORARY PALLIATIVES, BUT FOR QUICK ACTION IN A GLOBAL

FRAMEWORK WHICH WOULD REDUCE THE SURPLUS AND BE OF A LONG-TERM NATURE. FOR EXAMPLE, THE GOJ SHOULD PLAY AN ACTIVE ROLE IN THE MTN. ADDITIONALLY, JAPAN SHOULD OPEN ITS MARKETS TO SUBSTANTIALLY INCREASE IMPORTS OF MANUFACTURED GOODS. TO FOCUS ON THIS LATTER POINT, WE AGREED TO SET UP A US-JAPAN JOINT TRADE FACILITATION COMMITTEE, WHICH WILL SEEK TO REMOVE DIFFICULTIES FACED BY FIRMS INITIATING OR EXPANDING SALES TO THE JAPANESE MARKET. IN ADDITION, WE URGED THAT THE JAPANESE TRADING COMPANIES EMPHASIZE IMPORTING MANUFACTURED GOODS AS WELL AS EXPORTING.

6. TAKEYAMA'S MAJOR POINT WAS THAT THE LOCKHEED ISSUE LIMITED OFFICIAL USE

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AND ITS POLITICAL EFFECTS IN JAPAN HAD DISTRACTED THE GOJ FROM GIVING APPROPRIATE ATTENTION TO ECONOMIC ISSUES OVER THE PAST YEAR. NOW THAT THE CRISIS WAS PAST, AND PRIME MINISTER FUKUDA WAS FIRMLY IN THE SADDLE, TAKEYAMA BELIEVED THAT THE GOJ WAS IN A STRONGER POSITION TO TAKE EFFECTIVE ECONOMIC MEASURES TO STIMULATE ITS ECONOMY AND TO REDUCE ITS CURRENT ACCOUNT SURPLUS. CHRISTOPHER

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